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INTERNATIONAL BRIDGES IN ONTARIO

VOLUME I

CONCLUSION AND RECOMMENDATIONS

nic Planning Branch

Federal-Provincial Affairs Secretariat

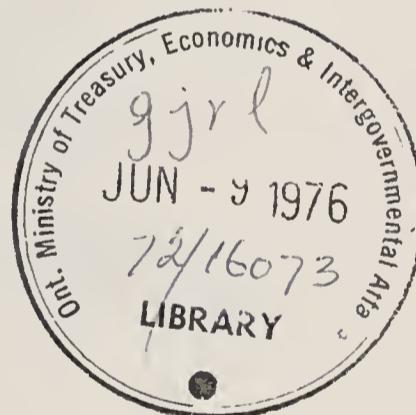
Policy Planning Division
Department of Treasury and Economics
October, 1969

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INTERNATIONAL BRIDGES IN ONTARIO



Economic Planning Branch

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A very faint, out-of-focus background image of a classical building with four columns and a triangular pediment. The building appears to be made of light-colored stone or concrete.

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BACKGROUND TO THE STUDY

The study of international bridges connecting the Province of Ontario and the American states of New York, Michigan and Minnesota was instituted as a result of a request from the Government of Canada concerning the Blue Water Bridge. Complaints by residents of the State of Michigan regarding the continuation of tolls on the Canadian side of the Blue Water Bridge had prompted the United States Government to ask the Canadian Embassy in Washington if any change was contemplated in the tolling policy. Before replying, the Government of Canada asked the Government of Ontario for its views on the Blue Water situation in particular, and on international bridges in general. Letters on this matter from former Prime Minister Pearson and Prime Minister Trudeau were sent to Prime Minister Robarts in 1967 and 1968. Preliminary research into Ontario's involvement in the history of the Blue Water Bridge by the Department of Treasury and Economics indicated the need for a more comprehensive study. The recommendations contained in this Report are the result of that study.

The study revealed that there has not been in the past an adequate policy framework with regard to international crossing facilities. Each facility was built in response to different needs and a variety of arrangements were made on an ad hoc basis. There has been little consistency in the method of financing each facility, the type of legislation that governed it, the authority that was put in control, the tolling policy and the policy

with regard to municipal assessment of the structure. One of the aims of the recommendations, therefore, is to provide policy guidelines and a locus of responsibility for the existing facilities and for those that might be built in the future.

The situation is further complicated by the number of governments that are involved. Although the study deals with international crossing facilities, the recommendations have been restricted to the Canadian side of the border. Both the Governments of Canada and Ontario are involved - the former because of its jurisdiction over external affairs and works or undertakings extending beyond the limits of a province, and the latter because of its jurisdiction over highways and local matters. The proposals made in this study have taken into account this joint responsibility. It should be noted, however, that the various governments concerned with this matter on the U.S. side of the border will also have to be consulted at some point if the many problems are to receive a solution satisfactory to all.

SUMMARY OF RECOMMENDATIONS

It is recommended that:

- the Government of Canada and the Government of Ontario should jointly establish one Canadian authority with responsibility for administration and coordination of all the international crossings connected with Ontario. This single authority would replace the twelve individual authorities or corporations which now administer these crossings.
- all municipal, provincial, or federal tax concessions to any international bridge facility or authority should be eliminated, and the international crossing concerned should be subject to taxation in the same manner as any private corporation.
- each international crossing should continue to levy a toll charge sufficient to recapture all costs of operation, i.e., maintenance, operating and capital charges.

CONCLUSIONS AND RECOMMENDATIONS

There are thirteen international bridges and one tunnel that provide access across the Ontario portion of the Canada-U.S.A. border.* It is significant that this portion of the border is completely formed by a waterway. Therefore, access between the Province of Ontario and the abutting American states must be provided either by bridges or tunnels. Many of these border crossings are located between major cities in Ontario that are adjacent to large American centres, e.g., Windsor-Detroit; Sault St. Marie, Michigan and Sault Ste. Marie, Ontario; Sarnia-Port Huron; Niagara-Buffalo. It is evident that the economic and social relationships between these cities demand an efficient means of border crossing. It can also be expected that with the growth of these industrial and commercial centres, in conjunction with expected increases in the level of tourist activity between Ontario and American points, there will be a need for an expansion in both the capacity and number of these facilities.

At present there is no continuing co-ordination in the provision of these facilities, among the federal, the state and provincial and the local governments in and between the two countries or among the various bridge authorities themselves. In addition there is no consistent policy in matters pertaining to the abilities of the various bridge authorities to raise capital through debt financing; or to the government that will

*Since there is only one tunnel involved, this study, for the sake of convenience, will refer to the crossing facilities as "bridges", rather than use the more general term "structures".

assume responsibility for the structures once any indebtedness has been retired; or to the toll levy to be applied.

In almost every case the basis on which the need for an international crossing has been ascertained and the method of financing these structures have been radically different. An examination of the current administrative arrangements and historical record in respect of each bridge has led to the following conclusions:

- 1) The major factor affecting the form of the present administrative authority and the designation of a future authority for each bridge is its financing - both the initial capital funds and the continuing maintenance expenses.
- 2) The pressures favouring the construction of these bridges have been diverse and have been exerted on one or more of all three levels of Canadian and American governments.
- 3) There is substantial conflict among the legislation of Canadian and American governments - federal, provincial and state. This conflict reflects, to a major degree, the lack of clarity in the jurisdictional responsibilities of each level of government.
- 4) There appears to be substantial conflict between the policy adopted for long-term financing by the various U.S. agencies (i.e., toll free) and the policies of the various Canadian governmental agencies (i.e., user charges). The U.S. Federal Bureau of Public Roads requires that all highways, or components of a highway financed by Federal funds, must be operated toll free. Thus, once the bonded indebtedness of any bridge that is part of an interstate system is retired the tolls must be eliminated. Maintenance charges must then be financed from state revenues.
- 5) There are substantial differences in the municipal tax treatment of each bridge. Some bridges are taxed by the local government agency on whose lands the bridge is situated, while others are exempt

from municipal taxation. In yet other cases, the Government of Ontario pays the municipality a grant in lieu of the tax revenues it would have received from the bridge.

- 6) There does not exist any co-ordinating agency in Canada or the United States with the responsibility to oversee the operations and maintenance of these facilities once their initial indebtedness has been retired.

The latter is perhaps the most serious of all the problems surrounding these facilities. Many of the bridges are now controlled and administered as self-liquidating incorporations. Once the capital debt has been retired, the agency (international in character) is dissolved with the assets and bridges reverting to one level of government or another. In many cases the party to receive the assets and bridges has not been determined prior to dissolution of the agency, but rather the assets are to be delivered to a person or agency to be designated by the Governor-General in-Council. In some cases, by mutual agreement, this agent is to be the Government of Ontario. The difficulty arises in determining the toll policy to be applied to these bridges after debt redemption. The U.S. state governments, because of Washington's incentive in the form of highway grants, treat these bridges as part of their highway systems and thus absorb the costs of maintenance in their total highway maintenance expenditures. The Government of Ontario receives no corresponding incentive from Ottawa and therefore treats these bridges as external to the provincial highway system. Thus, on the Canadian side, maintenance costs of bridges must be met by a toll levy. The Government, in the past, has not accepted delivery of these assets (e.g., the Blue Water Bridge) and in this latter case, the Federal government appointed an independent commission to continue to operate the facilities and allowed it to levy a toll to meet operating and maintenance costs. The question of whether Ontario will accept its obligations to assume title to a number of these bridges when their construction debt is retired is central to the current conflicts in international bridge administration.

- 7) There is no continuing or consistent policy framework for evaluating the future requirements of the public for such facilities. The impetus for the establishment or the expansion of many of these facilities is normally left to public pressure on one or more levels of government. This lack of a policy framework for determining present and future needs has led to the implementation of the most immediately

expedient solution with little regard to the longer term implications of such solutions. This absence of policy guidelines has created much of the present confusion and conflict surrounding the administration of these international bridges.

Recommendations

The extreme diversity of the existing administrative arrangements surrounding each international crossing along the Ontario portion of the U.S.-Canada border suggests that no single policy statement or recommendation can be made that will immediately offer a solution to all of the present and anticipated future problems. However, it is equally clear that the current situation, wherein there is no effective co-ordination of the provision and administration of various facilities, cannot continue without precipitating further public, economic and political conflicts.

It is this lack of co-ordination which leads to our first recommendation that a joint federal-provincial International Bridge Authority* be established to regulate and co-ordinate the activities of all existing international bridge commissions, the private corporations engaged in operating international crossings, and any other agencies operating such facilities insofar as they pertain to Canada and to Ontario. Such an Authority, while it could not immediately usurp the powers of the existing commissions and other agencies, could provide the organizational structure in which:

*Hereafter cited as the Authority.

- 1) each facility or crossing would be conveyed once the current indebtedness was retired and/or the life of the existing agency expired;
- 2) future needs could be consistently evaluated;
- 3) a consistent policy in respect of the financing of these structures both in terms of the capital cost and the maintenance expenses could be applied. This would provide a solution to two of the major sources of potential conflicts.

This master Authority would ultimately have, as much as is possible, jurisdiction over all the existing agencies and would assume all of the commitments and responsibilities of both the Governments of Canada and of Ontario. Once the authority of the present agency to carry out the operations of its respective facility has expired, the total operations of that particular facility in Canada would revert to this master Authority. As stated, in a number of cases it will not be possible to bring individual bridge agencies under the full control of the proposed Authority immediately; however, if the Authority were established, it could be immediately empowered to appoint the Canadian representation of any individual international bridge commission. Upon the assumption of full control by the Authority of the operations of a bridge facility, the individual agency would cease to exist and would be replaced by a bridge management unit responsible to the Authority for the day-to-day operations in Canada of that specific facility.

I. The powers of the proposed International Bridge Authority

These powers would include the capacity:

- 1) to levy tolls against all classes of traffic using any bridge or tunnel facility for the purposes of recovering the capital cost, the maintenance costs, and the operating costs associated with each facility;

- 2) to join with any agency, commission, or other company incorporated under the laws of the United States or any State thereof, for the purposes of constructing, operating or maintaining an international crossing connecting the Province of Ontario with any lands in the United States - providing that such an international crossing can be shown to be economically and commercially self-supporting;
- 3) to administer, construct or operate any international crossing, in conjunction with an agency, commission or company incorporated under the laws of the United States or any State thereof, which cannot be shown to be commercially self-supporting, providing the necessary revenues to eliminate any prospective deficit are guaranteed by either or both of the Governments of Canada and Ontario, and providing that all claims against the public purse are considered a first charge against all assets and net income;
- 4) to acquire, purchase, sell, or in any other manner obtain or dispose of any assets related to its primary occupation of constructing, operating and maintaining any bridge facility;
- 5) to issue, sell, pledge and secure bonds, debentures or other securities in its own right for the accomplishment of its primary purpose.

These powers will ensure that the federal-provincial Authority will have the ability to:

- 1) plan, finance and operate any new international crossings required by the public, provided the additional facility is commercially viable. No international crossing that cannot be shown to be commercially viable will be established unless a governmental authority is prepared to guarantee the capital debt by granting or guaranteeing a subsidy to eliminate any deficit. Such subsidy shall constitute a lien against that particular bridge facility and is to be discharged, with accumulated interest, as soon as it is financially feasible. This proviso is necessary to ensure that the proposed Authority is not required to adjudicate the social or economic need of any community.
- 2) assume ownership, operate and maintain all international bridge or tunnel structures or parts of such facilities in Ontario conveyed to the Government of Canada or Ontario at no cost to either.

For the following reasons, there appears to be substantial justification for maintaining tolls on international bridges:

- 1) An international bridge is more than a mere highway link. The fact that it has an international character often demands custom facilities, bonding warehouses and truck terminal facilities, all of which require maintenance and administration.
- 2) The international aspect of such facilities makes it extremely difficult to assess a user charge on the basis of gasoline tax revenue. If the bridge or tunnel facility is predominantly utilized by the citizens of one country, and the expenses of the facility are provided on an equalized basis by both countries, then the gasoline tax cannot be assumed to distribute the expense burden among the users in an equitable fashion.
- 3) The principal purpose of such facilities is to provide access to points external from the domestic economy and, insofar as the span is necessary, to link the highway systems of the two economies. This expenditure should be met by a toll levy paid by those benefiting from this accommodation.

The continuation of a toll levy will create a conflict with the policy of the U.S. Bureau of Public Roads, whereby state highway facilities are to remain toll free if Washington has participated in the financing. It is important, therefore, that some attempt be made to resolve this conflict before the Authority is established. If an accommodation cannot be reached, however, the Authority should be charged with the responsibility to maintain adequate tolls on the Canadian half of the international crossing facilities.

II. Responsibilities of the proposed International Bridge Authority

The proposed Authority would:

- 1) co-ordinate and regulate within the jurisdiction of the Governments of Canada and Ontario the activities of all international bridges and tunnels between the Province of Ontario and the adjacent states of the United States;
- 2) maintain and operate each bridge facility under its jurisdiction on a self-supporting basis;

- 3) maintain a separate set of accounts and financial statements for each crossing;
- 4) assess and provide for the future needs of the economies of Canada and Ontario in respect of international bridge or tunnel crossings.

The argument that each bridge should be maintained as a single economic unit arises from the desirability of preventing the proposed Authority from levying a larger toll on the self-supporting units in order to finance facilities that could not otherwise carry their debt, operating and maintenance expenditures. If this policy is rejected, it should be a decision of the Governments of Canada and Ontario, rather than that of the Authority. Similarly, if a new crossing facility is desired, the Authority should only be able to undertake its construction if it decides that the proposed facility would be economically self-sufficient. If a particular government chooses to back the construction of the facility on other grounds, it should provide the Authority with a grant to meet the capital and operating costs.

The financial data included in Volume II shows that there are at present a number of uneconomic facilities, such as the Sault Ste. Marie Bridge and the Seaway International Bridge, which will require either refinancing or financial aid if they are to retire their capital debt obligations. These facilities should not represent a burden upon the proposed Authority, and therefore should be dealt with prior to and separately from any transfer of these facilities to the Authority.

On the other hand, the proposed Authority should not be allowed to operate its facilities at a profit. Nevertheless, it would be desirable to allow the Authority to maintain income reserves from year to year to compensate

for fluctuations in revenue. These "income reserves" should be maintained by the Authority only, and the individual bridges, managed by an individual bridge unit, would transfer all net income with the exception of a minimum cash reserve to the Authority's reserve account.

III The composition of the International Bridge Authority

While it is not the function of this study to specify all the details of the proposed Authority, it is suggested that its members should be appointed for a fixed period and that both levels of government should be equally represented. Equality of responsibility would be ensured by equality of representation. The management personnel for the individual bridge units should be appointed by and be responsible to the proposed Authority.

IV Interim responsibility and transfer of power

The rights and powers of the Canadian levels of government differs with respect to each bridge. Therefore, the ability of the proposed Authority to perform its intended controlling and co-ordinating function will depend on what rights and powers the levels of government now possess and can transfer to it.

The following table groups the bridges into three broad categories according to their current status, and into two categories according to their expected future status.

Current Status

Bridges over which Canadians exercise complete control*	Bridges to which Canadian members are named	Bridges over which Canadians exercise no control
Blue Water Pigeon River Rainbow** Seaway International	Sault Ste. Marie Thousand Islands Buffalo-Fort Erie Whirlpool Queenston-Lewiston	Ambassador International Falls Ogdensburg-Prescott Baudette-Rainy River Detroit-Windsor Tunnel

*The term "Canadians" is used here to describe the Canadian corporations, agencies, commissions or governments that control these bridges, or the Canadian half of these bridges.

**At present there is some controversy regarding the actual ownership of the Bridge; the assumption here is that the operation of the Bridge remains with the Niagara Bridge Commission.

Possible Future Status

Bridges over which the Authority would be able to exercise complete control	Bridges over which the Authority would not be able to exercise control***
Blue Water Pigeon River Rainbow Whirlpool Queenston-Lewiston Seaway International Thousand Island Buffalo-Fort Erie Detroit-Windsor Tunnel Ogdensburg-Prescott Baudette-Rainy River	Ambassador International Falls

***These two bridges are privately owned. The only regulation respecting them deals with the level of tolls and exists in the Railway Act, administered by the Canadian Transport Commission. The only way by which these bridges could be brought under control of the Authority would be by expropriation. This would be a costly procedure. In the case of the International Falls Bridge, the situation may solve itself, since the present structure is old and will have to be replaced in the near future. The Ambassador Bridge would then be the only exception.

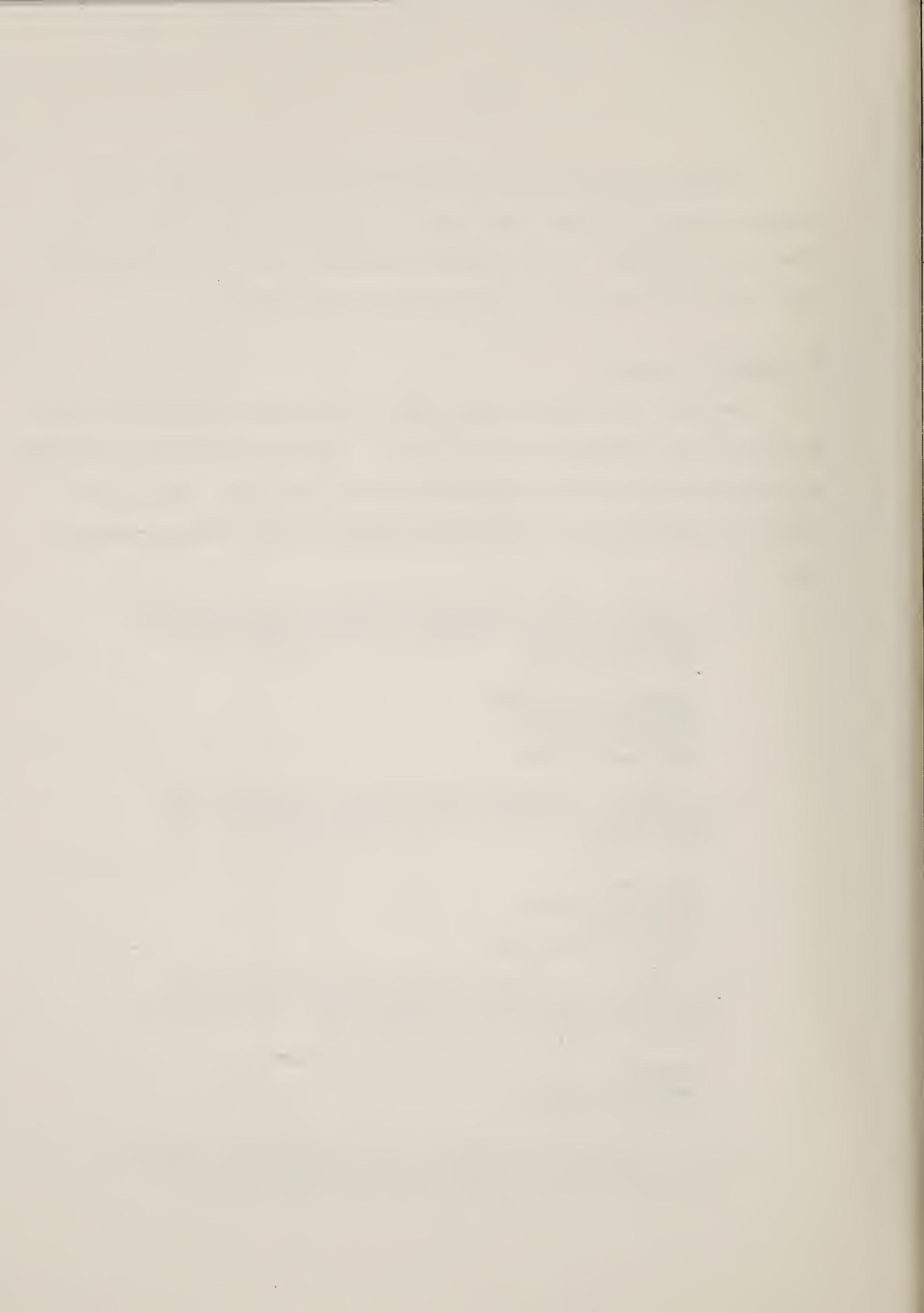
Because of the existing legislation regarding each bridge, it is evident that the Authority will be able to exercise its full control only after several decades. As the existing legislation expired or was repealed, each bridge would become the responsibility of the Authority.

V. Municipal taxation

Another of the current major problems respecting international bridges is the municipal tax status of each facility. There has been little consistency in the determination of the tax liability of each structure. There appear to be four categories of tax treatment applicable to the various structures.

These are:

1. The bridge agency pays grants to the municipal authority in lieu of taxation. The Bridges coming within this classification are:
 - Seaway International
 - Ogdensburg-Prescott
 - Thousand Islands
 - Buffalo-Fort Erie
2. No municipal taxation is paid by, or on behalf of, the bridge agency. The following Bridges come within this classification:
 - Blue Water
 - Sault Ste. Marie
 - Pigeon River
 - Baudette-Rainy River
3. The Government of Ontario pays grants to the municipal authority on behalf of the bridge agency. The following Bridges come within this classification:
 - Rainbow
 - Whirlpool Rapids
 - Queenston-Lewiston
4. The bridge agency is subject to the normal rate of taxation on all buildings and structures in its possession. The following facilities come within this classification:



- the Ambassador Bridge
- the Detroit-Windsor Tunnel
- the Fort Frances-International Falls Bridge

The financial implications of the above four classifications can be readily seen in the following table.

Municipal Taxation in Ontario of International Bridges (1968)

1.	Grants paid by the bridge agency to the local Ontario municipality	\$
	Seaway International	15,491.00
	Ogdensburg-Prescott	10,754.16
	Thousand Islands	13,394.75
	Buffalo-Fort Erie	67,000.00
2.	No taxation paid by the bridge agency to the local Ontario municipality	
	Blue Water	Nil
	Sault Ste. Marie	Nil
	Pigeon River	Nil
	Baudette-Rainy River	Nil
3.	Grants paid by the Government of Ontario to the local Ontario municipality	
	Rainbow	12,000.00
	Whirlpool Rapids	36,000.00
	Queenston-Lewiston	20,000.00

4.	Full assessment paid by the bridge agency to the local Ontario municipality	\$
	Ambassador Bridge	428,239.24
	Realty Tax	343,764.10
	Business tax	84,475.14
	Detroit-Windsor Tunnel	410,008.81
	Realty tax	326,533.67
	Business tax	83,475.14
	Fort-Frances - International Falls Bridge	10,655.00

The total paid to Ontario municipalities in the form of grants or of taxes was \$1,023,542.96 in 1968.

It is recommended that all international bridges be assessed and be liable for municipal taxation on the same basis. Further, it is suggested that all these facilities be made to bear the same rate of taxation as if they were operated as private corporations.

There appears to be little justification for subsidizing some facilities by exempting them from partial or full municipal taxation. If the recommendation that each facility should be operated on an economic basis is accepted, then it is difficult to justify the exemption of any facility from municipal taxes. As previously recommended in this study, these facilities should continue to be tolled to support operating and maintenance costs such that these costs are borne by users of the facilities and not by the public at large. It is consistent with this recommendation that municipal tax liability be included as a cost of providing municipal

services to the bridge facilities. This recommendation parallels that of the Smith Report on Taxation concerning taxation on provincial properties as presented below:

"72. To provide local taxing bodies with an equitable system of payments in lieu of taxes upon provincial properties, including the properties of Crown corporations and agencies, and the properties of the Hydro-Electric Power Commission of Ontario, we recommend that:

The Province and all its agencies, and the Hydro-Electric Power Commission of Ontario undertake to make full payments in lieu of municipal, school, business occupancy and local improvement levies on their properties other than

- (a) public highways,
- (b) land betterment works, to the extent that they convey an unrestricted community benefit,
- (c) recognized historic sites that are not being exploited commercially, and monuments or memorials, except to the extent of their utilitarian value, and
- (d) remote or undeveloped Crown lands not under lease or subject to mining or timber rights and not benefiting from local government services,

except to the extent that such payments are reduced in recognition of local services provided by the owner of the property upon agreement with the local authorities, who shall have a right of appeal to the Ontario Municipal Board as to the amount of any such reduction."

It should be noted that the Smith Committee would exclude public highways from municipal tax liability. The Government has not, however regarded the international border crossing facilities as part of the provincial highway system. It is suggested that this policy be continued, thereby making the facilities subject to municipal tax liability.

This recommendation will add to the costs of most bridge facilities. However, it will establish greater equity in the tax structure and will place the burden of the municipally provided resources on the user of the facilities.

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